

EMPLOYEE TOTAL COMPENSATION

Presented by:

Jeff Herring, Exec Director, DHRM

Debbie Cragun, HR Director, DHRM

Agenda

- State Employee Compensation
 - Statutory Requirements
 - Salary/Benefits Survey Process
 - Time Line
 - Salary Increase Options
 - State Challenges
 - Solutions
 - Questions

State Employee Compensation

- DHRM is mandated in statute (67-19-12) to recommend a compensation package to the Governor that incorporates the results of a total compensation market survey.

Salary Survey

- We have over 1100 job titles
- Jobs are grouped into 93 “benchmarks”
- Each benchmark job is surveyed against the market (local or western states)
- We obtain salary survey data from:
 - Western Management Group (WMG)
 - CompData
 - Central States Compensation Association (CSCA)
 - Conducting our own surveys

Salary Survey

- We gather data on the:
 - Average actual pay of active employees
 - Midpoint of a salary range
 - Special request information
- This data is then compared to data from the state workforce to determine comparability
- 2008 Salary Survey shows:
 - Salary ranges are -9.9% below market
 - Actual average salaries are -13.9% below market

Salary Examples

What does it mean to be -9.9% below market on a salary range?

- Museum/Historical Collections Curator
- Salary range = \$16.07 - \$24.13
- If at market = \$17.66 - \$26.52
- New hires are most likely offered jobs at the first step of the salary range
- New hire will start career at \$1.59 per hour below market
- Compression limits flexibility to negotiate

Salary Examples

What does it mean to be -13.9% below market on average actual pay?

- Engineering Technician III
- Average actual salary = \$21.09
- Could be making \$24.02 somewhere else
- Difference of \$2.93 more per hour
- Monthly = \$509.82 more per month
- Yearly = \$6094.40 more per year

Benefits Survey

- Benefits are difficult to survey
 - No two companies have identical benefits
 - Economies of scale play a role in cost
 - Actuaries are needed to determine true value/cost of benefits
- DHRM obtains benefits data from:
 - Mercer
 - CSCA
- Benefit recommendations come from PEHP and URS after consultation with DHRM
 - Look at Total Compensation

Time Line

- Salary survey process begins in January and ends in October
 - Planning and needs assessment conducted (Jan/May)
 - Surveys are responded to (all year)
 - Surveys are conducted (June/July)
 - Data is analyzed (July/August)
 - Recommendations determined (August)
 - Cost of recommendations calculated (September)
 - Reports are produced (September)
 - Data compiled and distributed (September)
 - Discussions with GOPB and Legislative branch (October)
 - Governor's recommendation (December)
 - Compensation decisions are made by the Legislature (March)
 - Any approved increases are implemented (July)

Salary Increase Options

- **Merit Increases**
 - Reward performance
 - Advance employees through the salary range
 - Must be 2.75%
 - Moves employees but not the salary range
 - Not given since 2001
- **Cost-of-Living-Adjustment (COLA)**
 - Designed to keep employees “whole”
 - Can be any percentage
 - Given to all employees
 - Does not advance employees through the range; contributes to compression
 - Moves both the range and employee pay simultaneously

Salary Increase Options

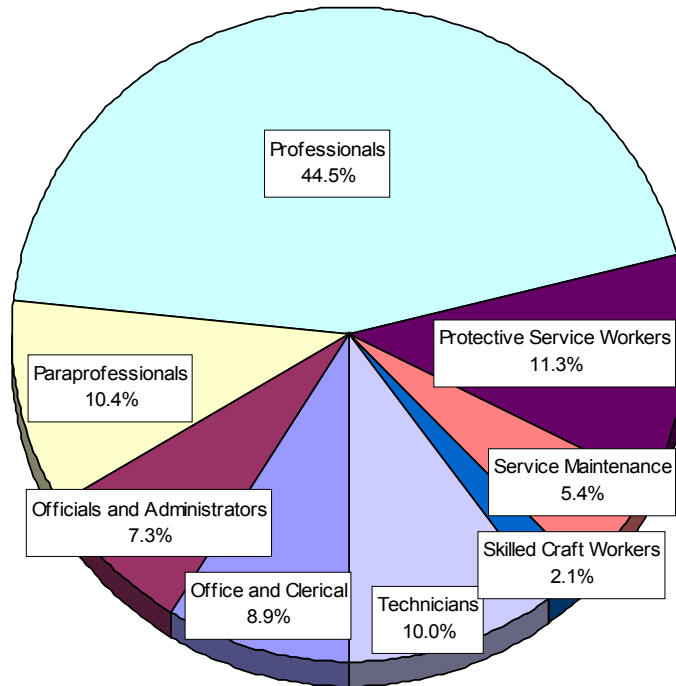
- **Market Comparability Adjustment (MCA)**
 - Increase to the salary range
 - Keeps salary ranges competitive
 - Contributes to compression if employees are not given salary increases equivalent to the amount of the range change
 - Places funding at the ranges furthest below market
 - Not given to adjust ranges since 2004; no funding given to adjust employees
- **Discretionary Increases**
 - Agencies can target specific hot-spots; flexible
 - If given as step increases, must be 2.75%
 - Does not increase the salary range

The State's Challenges

- 65.2% of the workforce is highly educated/trained
 - Professionals
 - Protective Service Workers
 - Skilled Trades
 - Officials & Administrators
- Reduces the available applicant pool for 2/3 of State positions
- With the worker shortage looming on the horizon and non-competitive wages, who will fill these jobs?

The State's Challenges

Executive Branch Employees- Job Category

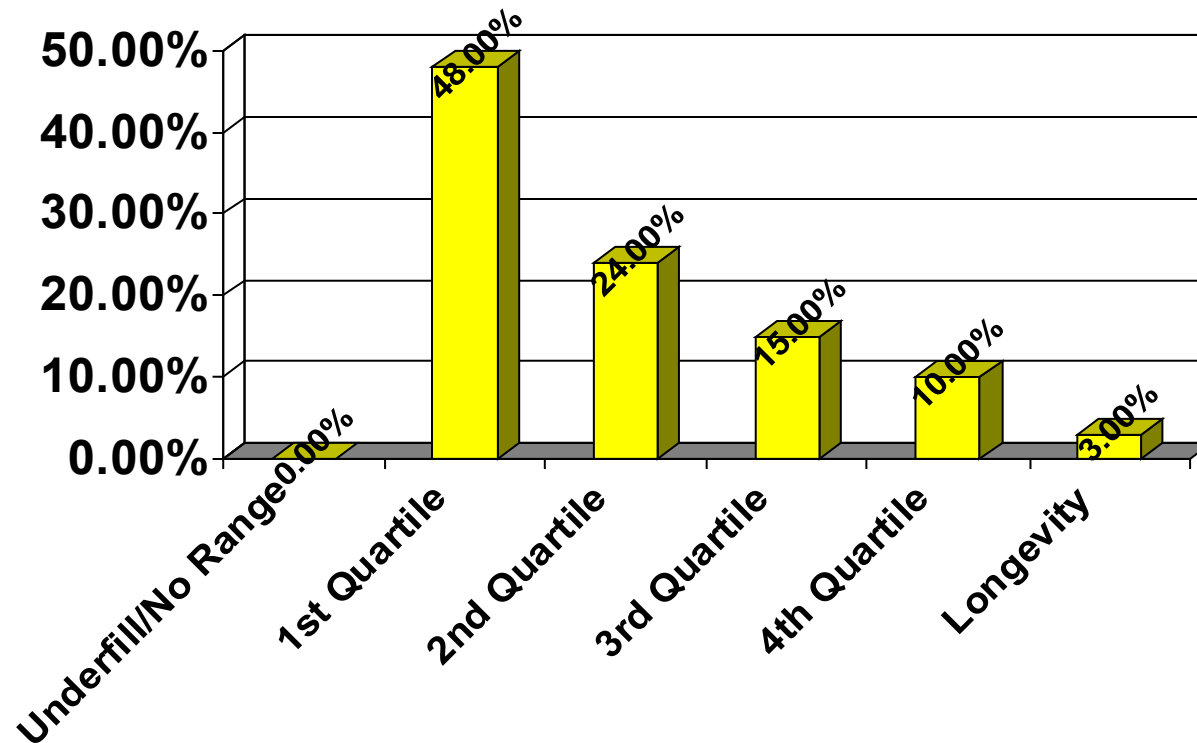


The State's Challenges

- Compression

- Employees are not moved through salary ranges as intended
 - Midpoint of a salary range is the true value of a position
 - Steps below midpoint are for training and learning curves
 - Steps above midpoint are for exceptional performance and longevity
- 72% of the State's workforce are below midpoint
 - Almost half of our employees are in the first quartile
 - We are paying training wages to employees who should be at or above midpoint
 - The State's core workforce has an average of 10.36 years of service
- Compression occurs when you have a large percentage of your workforce at the lower end of the salary range
 - Hinders your ability to retain employees
 - Long-term employees have the same salary as a newly hired employee
 - Hinders your ability to negotiate salary with new employees

Quartile Distribution

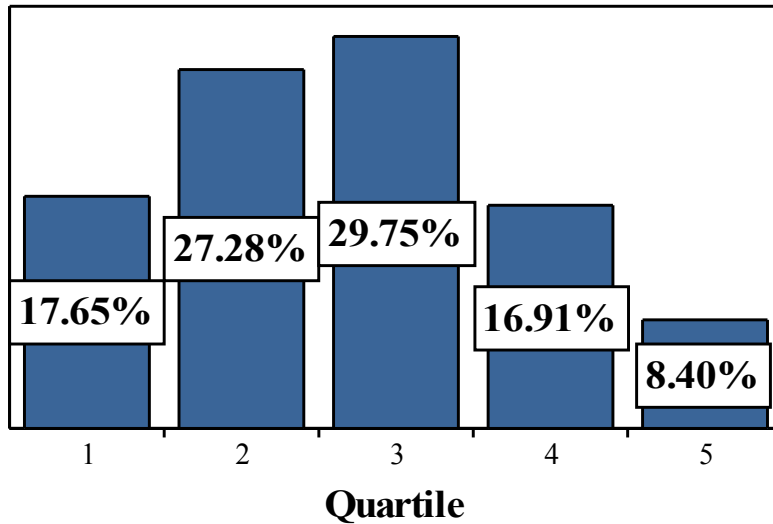


The State's Challenges

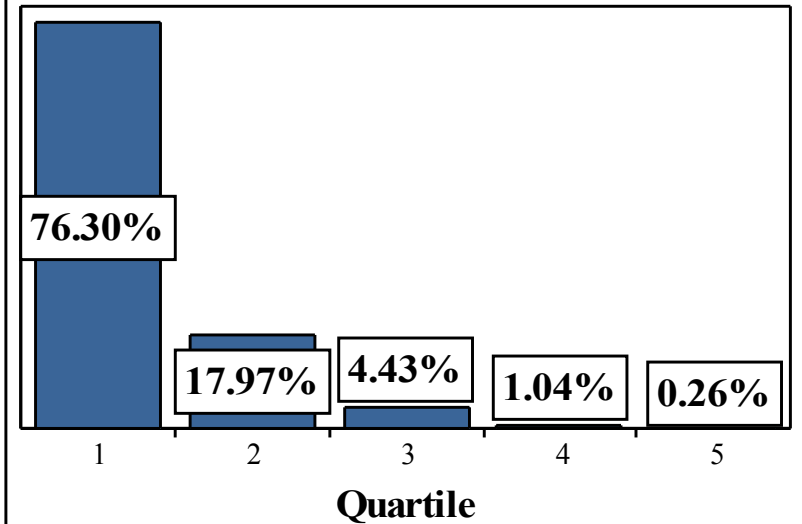
- One-size-fits-all Compensation
 - Historically most increases have been Merit increases and COLA's
 - Given to all or almost all of the workforce
 - No flexibility to address problem areas
 - MCAs have been infrequent and inadequately funded
 - Salary ranges slip further behind market
 - Recruiting new talent becomes difficult with low starting wages
 - Compression is worsened when employees are not given increases equivalent to the range change

Quartile Examples

Quartile Distribution
For Dept of Technology Svcs



Quartile Distribution
For Dep Environmental Quality



Salary Survey Examples

- Auditor II
 - Range -34.2%
- Aircraft Pilot
 - Range +7.3%
- Merit increases do not change the range; both ranges could slip
- COLAs will adjust the range for both benchmarks; Aircraft Pilot gets even further ahead
- MCA could be given to Auditor II only; solution that targets the specific hot spot

Solutions

- Utilize data to identify critical hot spots
- Study hot spots individually and in-depth
- Determine a myriad of problem-solving solutions
- Work with agencies to implement change
- Work with GOPB and the Legislature to obtain funding where needed
- Four-pronged approach to compensation
 - Hot spot areas
 - The workforce as a whole
 - Salary ranges
 - Actual pay

Summary

- DHRM is statutorily required to conduct annual salary and benefits studies
- DHRM compiles an annual compensation plan
- DHRM works with GOPB and the Legislative branch to determine salary/benefits increases for employees
- Salary increases can be given in many different ways; each has its own advantages and disadvantages
- The State's biggest compensation challenges are the future workforce, compression, and "one-size-fits-all" compensation
- Solutions include balancing compensation for the workforce as a whole with individual solutions for hot spot areas. We must be concerned with both salary ranges and actual pay.

Questions?

